

AMENDED IN ASSEMBLY AUGUST 31, 2016

AMENDED IN SENATE APRIL 12, 2016

SENATE BILL

No. 1393

Introduced by Senator De León

February 19, 2016

An act to amend Section 44258.5 of the Health and Safety Code, to amend ~~Sections~~ *Section* 25302.2 ~~and 25327~~ of the Public Resources Code, and to amend Sections 399.11, 399.12, 399.30, 400, 454.51, 9508, and 9621 of the Public Utilities Code, relating to energy.

LEGISLATIVE COUNSEL'S DIGEST

SB 1393, as amended, De León. Energy efficiency and pollution reduction.

(1) Existing law requires the State Energy Resources Conservation and Development Commission (Energy Commission) to compile and adopt an integrated energy policy report every 2 years and requires the report to include an overview of major energy trends and issues facing the state. As part of the 2019 edition of the report, existing law requires the Energy Commission to evaluate the actual energy efficiency savings from negative therm interactive effects generated as a result of electricity efficiency improvements.

This bill would additionally require the Energy Commission to include that evaluation in each report adopted after 2019.

(2) *Existing law defines "eligible renewable energy resource" for the purposes of the renewable energy portfolio standard. Existing law provides that a facility engaged in the combustion of municipal solid waste shall not be considered as an eligible renewable energy resource. Existing law also provides that electricity generated by a facility engaged in the combustion of municipal solid waste shall not result in*

the creation of a renewable energy credit. However, these provisions do not apply, under specified circumstances, to a facility located in Stanislaus County.

This bill would modify the exception for the facility located in Stanislaus County, as specified.

(3) Existing law requires each local publicly owned electric utility to adopt and implement a renewable energy resources procurement plan that requires the utility to procure a minimum quantity of electricity products from eligible renewable energy resources, with various required percentages applicable over time, as specified. Existing law provides various exemptions from minimum renewable energy resources procurement requirements for certain local publicly owned electric utilities relying on hydroelectric generation.

This bill would modify certain exemptions from the minimum renewable energy resources procurement requirements relating to hydroelectric generation, as specified.

~~(2)~~

(4) Existing law requires each local publicly owned electric utility to post notice whenever its governing body will deliberate in public on its renewable energy resources procurement plan, and requires the utility to also notify and provide certain information to the Energy Commission in that regard.

This bill would delete this requirement for a local publicly owned electric utility to notify and report to the Energy Commission.

(5) Existing law requires the Public Utilities Commission and the State Energy Resources Conservation and Development Commission (~~Energy Commission~~) Energy Commission to review specified programs overseen by the Public Utilities Commission and the Energy Commission and make recommendations to advance state clean energy and pollution reduction objectives and provide benefits to disadvantaged communities.

This bill would additionally require the ~~Public Utilities Commission~~ and the Energy Commission to review programs of the same type overseen by academia and the private and nonprofit sectors.

(6) Existing law requires the Public Utilities Commission to identify a diverse and balanced portfolio of resources needed to ensure a reliable electricity supply that provides optimal integration of renewable energy in a cost-effective manner, and specifies the respective roles of electrical corporations and community choice aggregators in satisfying the portfolio needs for renewable integration. Existing law provides that

all costs resulting from nonperformance shall be borne by the electrical corporation or community choice aggregator responsible for them.

This bill would require the commission to ensure that all costs resulting from nonperformance to satisfy the need for renewable integration shall be borne by the electrical corporation or community choice aggregator that failed to perform.

(3)

(7) This bill would make various other changes to provisions relating to energy efficiency and pollution reduction.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 44258.5 of the Health and Safety Code
2 is amended to read:

3 44258.5. (a) For the purposes of this section, the following
4 terms mean the following:

5 (1) “Local publicly owned electric utility” has the same meaning
6 as defined in Section 224.3 of the Public Utilities Code.

7 (2) “Retail seller” has the same meaning as set forth in
8 subdivision (j) of Section 399.12 of the Public Utilities Code.

9 (3) “Transportation electrification” has the same meaning as
10 set forth in Section 237.5 of the Public Utilities Code.

11 (b) The state board shall identify and adopt appropriate policies,
12 rules, or regulations to remove regulatory disincentives preventing
13 retail sellers and local publicly owned electric utilities from
14 facilitating the achievement of greenhouse gas emission reductions
15 in other sectors through increased investments in transportation
16 electrification. Policies to be considered shall include, but are not
17 limited to, an allocation of greenhouse gas emissions allowances
18 to retail sellers and local publicly owned electric utilities, or other
19 regulatory mechanisms, to account for increased greenhouse gas
20 emissions in the electric sector from transportation electrification.

21 SEC. 2. Section 25302.2 of the Public Resources Code is
22 amended to read:

23 25302.2. As part of the 2019 edition of the integrated energy
24 policy report, and as part of each integrated energy policy report
25 adopted biennially thereafter, the commission shall evaluate the
26 actual energy efficiency savings, as defined in Section 25310, from

1 negative therm interactive effects generated as a result of electricity
2 efficiency improvements.

3 ~~SEC. 3. Section 25327 of the Public Resources Code is~~
4 ~~amended to read:~~

5 ~~25327. (a) The Legislature finds and declares all of the~~
6 ~~following:~~

7 ~~(1) There is insufficient information available to fully realize~~
8 ~~the potential of solar photovoltaic energy generation to serve~~
9 ~~low-income customers, including those in disadvantaged~~
10 ~~communities.~~

11 ~~(2) There is insufficient understanding of the barriers to access~~
12 ~~for low-income customers to all forms of renewable energy being~~
13 ~~generated in the state.~~

14 ~~(3) There is insufficient understanding of the barriers to access~~
15 ~~for low-income customers to energy efficiency investments.~~

16 ~~(4) There is insufficient understanding of the barriers to access~~
17 ~~for low-income customers to zero-emission and near-zero-emission~~
18 ~~transportation options.~~

19 ~~(b) On or before January 1, 2017, the commission, with input~~
20 ~~from the environmental justice advisory committee established~~
21 ~~pursuant to Section 38591 of the Health and Safety Code, other~~
22 ~~relevant state agencies, and the public, shall conduct and complete~~
23 ~~a study on both of the following:~~

24 ~~(1) Barriers to, and opportunities for, solar photovoltaic energy~~
25 ~~generation as well as barriers to, and opportunities for, access to~~
26 ~~other renewable energy by low-income customers.~~

27 ~~(2) Barriers to contracting opportunities for local small~~
28 ~~businesses in disadvantaged communities.~~

29 ~~(c) On or before January 1, 2017, the commission, with input~~
30 ~~from the environmental justice advisory committee established~~
31 ~~pursuant to Section 38591 of the Health and Safety Code, other~~
32 ~~relevant state agencies, and the public, shall develop and publish~~
33 ~~a study on barriers for low-income customers to energy efficiency~~
34 ~~and weatherization investments, including those in disadvantaged~~
35 ~~communities, as well as recommendations on how to increase~~
36 ~~access to energy efficiency and weatherization investments to~~
37 ~~low-income customers.~~

38 ~~(d) On or before January 1, 2017, the State Air Resources Board,~~
39 ~~in consultation with the commission and with input from the~~
40 ~~environmental justice advisory committee established pursuant to~~

1 ~~Section 38591 of the Health and Safety Code, other relevant state~~
2 ~~agencies, and the public, shall develop and publish a study on~~
3 ~~barriers for low-income customers to zero-emission and~~
4 ~~near-zero-emission transportation options, including those in~~
5 ~~disadvantaged communities, as well as recommendations on how~~
6 ~~to increase access to zero-emission and near-zero-emission~~
7 ~~transportation options to low-income customers, including those~~
8 ~~in disadvantaged communities.~~

9 ~~SEC. 4.~~

10 *SEC. 3.* Section 399.11 of the Public Utilities Code is amended
11 to read:

12 399.11. The Legislature finds and declares all of the following:

13 (a) In order to attain a target of generating 20 percent of total
14 retail sales of electricity in California from eligible renewable
15 energy resources by December 31, 2013, 33 percent by December
16 31, 2020, and 50 percent by December 31, 2030, it is the intent of
17 the Legislature that the commission and the Energy Commission
18 implement the California Renewables Portfolio Standard Program
19 described in this article.

20 (b) Achieving the renewables portfolio standard through the
21 procurement of various electricity products from eligible renewable
22 energy resources is intended to provide unique benefits to
23 California, including all of the following, each of which
24 independently justifies the program:

25 (1) Displacing fossil fuel consumption within the state.

26 (2) Adding new electrical generating facilities in the
27 transmission network within the Western Electricity Coordinating
28 Council service area.

29 (3) Reducing air pollution, particularly criteria pollutant
30 emissions and toxic air contaminants, in the state.

31 (4) Meeting the state's climate change goals by reducing
32 emissions of greenhouse gases associated with electrical generation.

33 (5) Promoting stable retail rates for electric service.

34 (6) Meeting the state's need for a diversified and balanced
35 energy generation portfolio.

36 (7) Assistance with meeting the state's resource adequacy
37 requirements.

38 (8) Contributing to the safe and reliable operation of the
39 electrical grid, including providing predictable electrical supply,
40 voltage support, lower line losses, and congestion relief.

1 (9) Implementing the state’s transmission and land use planning
2 activities related to development of eligible renewable energy
3 resources.

4 (c) The California Renewables Portfolio Standard Program is
5 intended to complement the Renewable Energy Resources Program
6 administered by the Energy Commission and established pursuant
7 to Chapter 8.6 (commencing with Section 25740) of Division 15
8 of the Public Resources Code.

9 (d) New and modified electric transmission facilities may be
10 necessary to facilitate the state achieving its renewables portfolio
11 standard targets.

12 (e) (1) Supplying electricity to California end-use customers
13 that is generated by eligible renewable energy resources is
14 necessary to improve California’s air quality and public health,
15 particularly in disadvantaged communities identified pursuant to
16 Section 39711 of the Health and Safety Code, and the commission
17 shall ensure rates are just and reasonable, and are not significantly
18 affected by the procurement requirements of this article. This
19 electricity may be generated anywhere in the interconnected grid
20 that includes many states, and areas of both Canada and Mexico.

21 (2) This article requires generating resources located outside of
22 California that are able to supply that electricity to California
23 end-use customers to be treated identically to generating resources
24 located within the state, without discrimination.

25 (3) California electrical corporations have already executed,
26 and the commission has approved, power purchase agreements
27 with eligible renewable energy resources located outside of
28 California that will supply electricity to California end-use
29 customers. These resources will fully count toward meeting the
30 renewables portfolio standard procurement requirements.

31 *SEC. 4. Section 399.12 of the Public Utilities Code is amended*
32 *to read:*

33 399.12. For purposes of this article, the following terms have
34 the following meanings:

35 (a) “Conduit hydroelectric facility” means a facility for the
36 generation of electricity that uses only the hydroelectric potential
37 of an existing pipe, ditch, flume, siphon, tunnel, canal, or other
38 manmade conduit that is operated to distribute water for a
39 beneficial use.

1 (b) “Balancing authority” means the responsible entity that
2 integrates resource plans ahead of time, maintains load-interchange
3 generation balance within a balancing authority area, and supports
4 interconnection frequency in real time.

5 (c) “Balancing authority area” means the collection of
6 generation, transmission, and loads within the metered boundaries
7 of the area within which the balancing authority maintains the
8 electrical load-resource balance.

9 (d) “California balancing authority” is a balancing authority
10 with control over a balancing authority area primarily located in
11 this state and operating for retail sellers and local publicly owned
12 electric utilities subject to the requirements of this article and
13 includes the Independent System Operator (ISO) and a local
14 publicly owned electric utility operating a transmission grid that
15 is not under the operational control of the ISO. A California
16 balancing authority is responsible for the operation of the
17 transmission grid within its metered boundaries which is not limited
18 by the political boundaries of the State of California.

19 (e) “Eligible renewable energy resource” means an electrical
20 generating facility that meets the definition of a “renewable
21 electrical generation facility” in Section 25741 of the Public
22 Resources Code, subject to the following:

23 (1) (A) An existing small hydroelectric generation facility of
24 30 megawatts or less shall be eligible only if a retail seller or local
25 publicly owned electric utility procured the electricity from the
26 facility as of December 31, 2005. A new hydroelectric facility that
27 commences generation of electricity after December 31, 2005, is
28 not an eligible renewable energy resource if it will cause an adverse
29 impact on instream beneficial uses or cause a change in the volume
30 or timing of streamflow.

31 (B) Notwithstanding subparagraph (A), a conduit hydroelectric
32 facility of 30 megawatts or less that commenced operation before
33 January 1, 2006, is an eligible renewable energy resource. A
34 conduit hydroelectric facility of 30 megawatts or less that
35 commences operation after December 31, 2005, is an eligible
36 renewable energy resource so long as it does not cause an adverse
37 impact on instream beneficial uses or cause a change in the volume
38 or timing of streamflow.

39 (C) A facility approved by the governing board of a local
40 publicly owned electric utility prior to June 1, 2010, for

1 procurement to satisfy renewable energy procurement obligations
2 adopted pursuant to former Section 387, shall be certified as an
3 eligible renewable energy resource by the Energy Commission
4 pursuant to this article, if the facility is a “renewable electrical
5 generation facility” as defined in Section 25741 of the Public
6 Resources Code.

7 (D) (i) A small hydroelectric generation unit with a nameplate
8 capacity not exceeding 40 megawatts that is operated as part of a
9 water supply or conveyance system is an eligible renewable energy
10 resource only for the retail seller or local publicly owned electric
11 utility that procured the electricity from the unit as of December
12 31, 2005. No unit shall be eligible pursuant to this subparagraph
13 if an application for certification is submitted to the Energy
14 Commission after January 1, 2013. Only one retail seller or local
15 publicly owned electric utility shall be deemed to have procured
16 electricity from a given unit as of December 31, 2005.

17 (ii) Notwithstanding clause (i), a local publicly owned electric
18 utility that meets the criteria of subdivision (j) of Section 399.30
19 may sell to another local publicly owned electric utility electricity
20 from small hydroelectric generation units that qualify as eligible
21 renewable energy resources under clause (i), and that electricity
22 may be used by the local publicly owned electric utility that
23 purchased the electricity to meet its renewables portfolio standard
24 procurement requirements. The total of all those sales from the
25 utility shall be no greater than 100,000 megawatthours of
26 electricity.

27 (iii) The amendments made to this subdivision by the act adding
28 this subparagraph are intended to clarify existing law and apply
29 from December 10, 2011.

30 (2) (A) A facility engaged in the combustion of municipal solid
31 waste shall not be considered an eligible renewable energy
32 resource.

33 (B) Subparagraph (A) does not apply to ~~contracts entered into~~
34 ~~generation~~ before January 1, 2017, ~~for the procurement of~~
35 ~~renewable energy resources~~ from a facility located in Stanislaus
36 County that was operational prior to September 26, 1996.

37 (f) “Procure” means to acquire through ownership or contract.

38 (g) “Procurement entity” means any person or corporation
39 authorized by the commission to enter into contracts to procure

1 eligible renewable energy resources on behalf of customers of a
2 retail seller pursuant to subdivision (f) of Section 399.13.

3 (h) (1) “Renewable energy credit” means a certificate of proof
4 associated with the generation of electricity from an eligible
5 renewable energy resource, issued through the accounting system
6 established by the Energy Commission pursuant to Section 399.25,
7 that one unit of electricity was generated and delivered by an
8 eligible renewable energy resource.

9 (2) “Renewable energy credit” includes all renewable and
10 environmental attributes associated with the production of
11 electricity from the eligible renewable energy resource, except for
12 an emissions reduction credit issued pursuant to Section 40709 of
13 the Health and Safety Code and any credits or payments associated
14 with the reduction of solid waste and treatment benefits created
15 by the utilization of biomass or biogas fuels.

16 (3) (A) Electricity generated by an eligible renewable energy
17 resource attributable to the use of nonrenewable fuels, beyond a
18 de minimis quantity used to generate electricity in the same process
19 through which the facility converts renewable fuel to electricity,
20 shall not result in the creation of a renewable energy credit. The
21 Energy Commission shall set the de minimis quantity of
22 nonrenewable fuels for each renewable energy technology at a
23 level of no more than 2 percent of the total quantity of fuel used
24 by the technology to generate electricity. The Energy Commission
25 may adjust the de minimis quantity for an individual facility, up
26 to a maximum of 5 percent, if it finds that all of the following
27 conditions are met:

28 (i) The facility demonstrates that the higher quantity of
29 nonrenewable fuel will lead to an increase in generation from the
30 eligible renewable energy facility that is significantly greater than
31 generation from the nonrenewable fuel alone.

32 (ii) The facility demonstrates that the higher quantity of
33 nonrenewable fuels will reduce the variability of its electrical
34 output in a manner that results in net environmental benefits to the
35 state.

36 (iii) The higher quantity of nonrenewable fuel is limited to either
37 natural gas or hydrogen derived by reformation of a fossil fuel.

38 (B) Electricity generated by a small hydroelectric generation
39 facility shall not result in the creation of a renewable energy credit

1 unless the facility meets the requirements of subparagraph (A) or
2 (D) of paragraph (1) of subdivision (e).

3 (C) Electricity generated by a conduit hydroelectric generation
4 facility shall not result in the creation of a renewable energy credit
5 unless the facility meets the requirements of subparagraph (B) of
6 paragraph (1) of subdivision (e).

7 (D) Electricity generated by a facility engaged in the combustion
8 of municipal solid waste shall not result in the creation of a
9 renewable energy credit. This subparagraph does not apply to
10 renewable energy credits that were generated before January 1,
11 2017, by a facility engaged in the combustion of municipal solid
12 waste located in Stanislaus County that was operational prior to
13 September 26, 1996, and sold pursuant to contracts entered into
14 before January 1, 2017.

15 (i) “Renewables portfolio standard” means the specified
16 percentage of electricity generated by eligible renewable energy
17 resources that a retail seller or a local publicly owned electric utility
18 is required to procure pursuant to this article.

19 (j) “Retail seller” means an entity engaged in the retail sale of
20 electricity to end-use customers located within the state, including
21 any of the following:

22 (1) An electrical corporation, as defined in Section 218.

23 (2) A community choice aggregator. A community choice
24 aggregator shall participate in the renewables portfolio standard
25 program subject to the same terms and conditions applicable to an
26 electrical corporation.

27 (3) An electric service provider, as defined in Section 218.3.
28 The electric service provider shall be subject to the same terms
29 and conditions applicable to an electrical corporation pursuant to
30 this article. This paragraph does not impair a contract entered into
31 between an electric service provider and a retail customer prior to
32 the suspension of direct access by the commission pursuant to
33 Section 80110 of the Water Code.

34 (4) “Retail seller” does not include any of the following:

35 (A) A corporation or person employing cogeneration technology
36 or producing electricity consistent with subdivision (b) of Section
37 218.

38 (B) The Department of Water Resources acting in its capacity
39 pursuant to Division 27 (commencing with Section 80000) of the
40 Water Code.

1 (C) A local publicly owned electric utility.

2 (k) “WECC” means the Western Electricity Coordinating
3 Council of the North American Electric Reliability Corporation,
4 or a successor to the corporation.

5 *SEC. 5. Section 399.30 of the Public Utilities Code is amended*
6 *to read:*

7 399.30. (a) (1) To fulfill unmet long-term generation resource
8 needs, each local publicly owned electric utility shall adopt and
9 implement a renewable energy resources procurement plan that
10 requires the utility to procure a minimum quantity of electricity
11 products from eligible renewable energy resources, including
12 renewable energy credits, as a specified percentage of total
13 kilowatthours sold to the utility’s retail end-use customers, each
14 compliance period, to achieve the targets of subdivision (c).

15 (2) Beginning January 1, 2019, a local publicly owned electric
16 utility subject to Section 9621 shall incorporate the renewable
17 energy resources procurement plan required by this section as part
18 of a broader integrated resource plan developed and adopted
19 pursuant to Section 9621.

20 (b) The governing board shall implement procurement targets
21 for a local publicly owned electric utility that require the utility to
22 procure a minimum quantity of eligible renewable energy resources
23 for each of the following compliance periods:

24 (1) January 1, 2011, to December 31, 2013, inclusive.

25 (2) January 1, 2014, to December 31, 2016, inclusive.

26 (3) January 1, 2017, to December 31, 2020, inclusive.

27 (4) January 1, 2021, to December 31, 2024, inclusive.

28 (5) January 1, 2025, to December 31, 2027, inclusive.

29 (6) January 1, 2028, to December 31, 2030, inclusive.

30 (c) The governing board of a local publicly owned electric utility
31 shall ensure all of the following:

32 (1) The quantities of eligible renewable energy resources to be
33 procured for the compliance period from January 1, 2011, to
34 December 31, 2013, inclusive, are equal to an average of 20 percent
35 of retail sales.

36 (2) The quantities of eligible renewable energy resources to be
37 procured for all other compliance periods reflect reasonable
38 progress in each of the intervening years sufficient to ensure that
39 the procurement of electricity products from eligible renewable
40 energy resources achieves 25 percent of retail sales by December

1 31, 2016, 33 percent by December 31, 2020, 40 percent by
2 December 31, 2024, 45 percent by December 31, 2027, and 50
3 percent by December 31, 2030. The Energy Commission shall
4 establish appropriate multiyear compliance periods for all
5 subsequent years that require the local publicly owned electric
6 utility to procure not less than 50 percent of retail sales of
7 electricity products from eligible renewable energy resources.

8 (3) A local publicly owned electric utility shall adopt
9 procurement requirements consistent with Section 399.16.

10 (4) Beginning January 1, 2014, in calculating the procurement
11 requirements under this article, a local publicly owned electric
12 utility may exclude from its total retail sales the kilowatthours
13 generated by an eligible renewable energy resource that is credited
14 to a participating customer pursuant to a voluntary green pricing
15 or shared renewable generation program. Any exclusion shall be
16 limited to electricity products that do not meet the portfolio content
17 criteria set forth in paragraph (2) or (3) of subdivision (b) of Section
18 399.16. Any renewable energy credits associated with electricity
19 credited to a participating customer shall not be used for
20 compliance with procurement requirements under this article, shall
21 be retired on behalf of the participating customer, and shall not be
22 further sold, transferred, or otherwise monetized for any purpose.
23 To the extent possible for generation that is excluded from retail
24 sales under this subdivision, a local publicly owned electric utility
25 shall seek to procure those eligible renewable energy resources
26 that are located in reasonable proximity to program participants.

27 (d) (1) The governing board of a local publicly owned electric
28 utility shall adopt procurement requirements consistent with
29 subparagraph (B) of paragraph (4) of subdivision (a) of, and
30 subdivision (b) of, Section 399.13.

31 (2) The governing board of a local publicly owned electric utility
32 may adopt the following measures:

33 (A) Conditions that allow for delaying timely compliance
34 consistent with subdivision (b) of Section 399.15.

35 (B) Cost limitations for procurement expenditures consistent
36 with subdivision (c) of Section 399.15.

37 (e) The governing board of the local publicly owned electric
38 utility shall adopt a program for the enforcement of this article.
39 The program shall be adopted at a publicly noticed meeting offering
40 all interested parties an opportunity to comment. Not less than 30

1 days' notice shall be given to the public of any meeting held for
2 purposes of adopting the program. Not less than 10 days' notice
3 shall be given to the public before any meeting is held to make a
4 substantive change to the program.

5 (f) ~~(1)~~ Each local publicly owned electric utility shall annually
6 post notice, in accordance with Chapter 9 (commencing with
7 Section 54950) of Part 1 of Division 2 of Title 5 of the Government
8 Code, whenever its governing body will deliberate in public on its
9 renewable energy resources procurement plan.

10 ~~(2)~~ Contemporaneous with the posting of the notice of a public
11 meeting to consider the renewable energy resources procurement
12 plan, the local publicly owned electric utility shall notify the
13 Energy Commission of the date, time, and location of the meeting
14 in order to enable the Energy Commission to post the information
15 on its Internet Web site. This requirement is satisfied if the local
16 publicly owned electric utility provides the uniform resource
17 locator (URL) that links to this information.

18 ~~(3)~~ Upon distribution to its governing body of information
19 related to its renewable energy resources procurement status and
20 future plans, for its consideration at a noticed public meeting, the
21 local publicly owned electric utility shall make that information
22 available to the public and shall provide the Energy Commission
23 with an electronic copy of the documents for posting on the Energy
24 Commission's Internet Web site. This requirement is satisfied if
25 the local publicly owned electric utility provides the uniform
26 resource locator (URL) that links to the documents or information
27 regarding other manners of access to the documents.

28 (g) A public utility district that receives all of its electricity
29 pursuant to a preference right adopted and authorized by the United
30 States Congress pursuant to Section 4 of the Trinity River Division
31 Act of August 12, 1955 (Public Law 84-386) shall be in compliance
32 with the renewable energy procurement requirements of this article.

33 (h) For a local publicly owned electric utility that was in
34 existence on or before January 1, 2009, that provides retail electric
35 service to 15,000 or fewer customer accounts in California, and is
36 interconnected to a balancing authority located outside this state
37 but within the WECC, an eligible renewable energy resource
38 includes a facility that is located outside California that is
39 connected to the WECC transmission system, if all of the following
40 conditions are met:

1 (1) The electricity generated by the facility is procured by the
2 local publicly owned electric utility, is delivered to the balancing
3 authority area in which the local publicly owned electric utility is
4 located, and is not used to fulfill renewable energy procurement
5 requirements of other states.

6 (2) The local publicly owned electric utility participates in, and
7 complies with, the accounting system administered by the Energy
8 Commission pursuant to this article.

9 (3) The Energy Commission verifies that the electricity
10 generated by the facility is eligible to meet the renewables portfolio
11 standard procurement requirements.

12 (i) Notwithstanding subdivision (a), for a local publicly owned
13 electric utility that is a joint powers authority of districts established
14 pursuant to state law on or before January 1, 2005, that furnish
15 electric services other than to residential customers, and is formed
16 pursuant to the Irrigation District Law (Division 11 (commencing
17 with Section 20500) of the Water Code), the percentage of total
18 kilowatthours sold to the district's retail end-use customers, upon
19 which the renewables portfolio standard procurement requirements
20 in subdivision (b) are calculated, shall be based on the authority's
21 average retail sales over the previous seven years. If the authority
22 has not furnished electric service for seven years, then the
23 calculation shall be based on average retail sales over the number
24 of completed years during which the authority has provided electric
25 service.

26 (j) A local publicly owned electric utility in a city and county
27 that only receives greater than 67 percent of its electricity sources
28 from hydroelectric generation located within the state that it owns
29 and operates, and that does not meet the definition of a "renewable
30 electrical generation facility" pursuant to Section 25741 of the
31 Public Resources Code, shall be required to procure eligible
32 renewable energy resources, including renewable energy credits,
33 to meet only the electricity demands unsatisfied by its hydroelectric
34 generation in any given year, in order to satisfy its renewable
35 energy procurement requirements.

36 ~~(k) (1) A local publicly owned electric utility that receives~~
37 ~~greater than 50 percent of its annual retail sales from its own~~
38 ~~hydroelectric generation that is not an eligible renewable energy~~
39 ~~resource shall not be required to procure additional eligible~~
40 ~~renewable energy resources in excess of either of the following:~~

1 ~~(A) The portion of its retail sales not supplied by its own~~
2 ~~hydroelectric generation. For these purposes, retail sales supplied~~
3 ~~by an increase in hydroelectric generation resulting from an~~
4 ~~increase in the amount of water stored by a dam because the dam~~
5 ~~is enlarged or otherwise modified after December 31, 2012, shall~~
6 ~~not count as being retail sales supplied by the utility's own~~
7 ~~hydroelectric generation.~~

8 ~~(B) The cost limitation adopted pursuant to this section:~~

9 ~~(2)~~

10 ~~(k) (1) For the purposes of this subdivision, "hydroelectric~~
11 ~~generation" means electricity generated from a hydroelectric~~
12 ~~facility that satisfies all of the following:~~

13 ~~(A) Is owned solely and operated by the local publicly owned~~
14 ~~electric utility as of 1967.~~

15 ~~(B) Serves a local publicly owned electric utility with a~~
16 ~~distribution system demand of less than 150 megawatts.~~

17 ~~(C) Involves a contract in which an electrical corporation~~
18 ~~receives the benefit of the electric generation through June of 2014,~~
19 ~~at which time the benefit reverts back to the ownership and control~~
20 ~~of the local publicly owned electric utility.~~

21 ~~(D) Has a maximum penstock flow capacity of no more than~~
22 ~~3,200 cubic feet per second and includes a regulating reservoir~~
23 ~~with a small hydroelectric generation facility producing fewer than~~
24 ~~20 megawatts with a maximum penstock flow capacity of no more~~
25 ~~than 3,000 cubic feet per second.~~

26 ~~(2) If, during a year within a compliance period set forth in~~
27 ~~subdivision (b), a local publicly owned electric utility receives~~
28 ~~greater than 50 percent of its retail sales from its own hydroelectric~~
29 ~~generation, it is not required to procure eligible renewable energy~~
30 ~~resources that exceed the lesser of the following for that year:~~

31 ~~(A) The portion of the local publicly owned electric utility's~~
32 ~~retail sales unsatisfied by the local publicly owned electric utility's~~
33 ~~hydroelectric generation. For these purposes, retail sales supplied~~
34 ~~by an increase in hydroelectric generation resulting from an~~
35 ~~increase in the amount of water stored by a dam because the dam~~
36 ~~is enlarged or otherwise modified after December 31, 2012, shall~~
37 ~~not count as being retail sales supplied by the utility's own~~
38 ~~hydroelectric generation.~~

39 ~~(B) The soft target adopted by the Energy Commission for the~~
40 ~~intervening years of the relevant compliance period.~~

1 (C) *The cost limitation adopted pursuant to this section.*

2 (3) This subdivision does not reduce or eliminate any renewable
3 procurement requirement for any compliance period ending prior
4 to January 1, 2014.

5 (4) This subdivision does not require a local publicly owned
6 electric utility to purchase additional eligible renewable energy
7 resources in excess of the procurement requirements of subdivision
8 (c).

9 (5) *The Energy Commission shall adjust the total quantities of*
10 *eligible renewable energy resources to be procured by a local*
11 *publicly owned electric utility for a compliance period to reflect*
12 *any reductions required pursuant to paragraph (2).*

13 (l) (1) ~~(A)~~ For purposes of this subdivision, “large hydroelectric
14 generation” means electricity generated from a hydroelectric
15 facility that is not an eligible renewable energy resource and
16 provides electricity to a local publicly owned electric utility from
17 facilities owned by the federal government as a part of the federal
18 Central Valley Project or a joint powers agency formed and created
19 pursuant to Chapter 5 (commencing with Section 6500) of Division
20 7 of Title 1 of the Government Code.

21 ~~(B) Large hydroelectric generation does not include any resource~~
22 ~~that meets the definition of hydroelectric generation set forth in~~
23 ~~subdivision (k).~~

24 (2) If, during a year within a compliance period set forth in
25 subdivision (b), a local publicly owned electric utility receives
26 greater than 50 percent of its retail sales from large hydroelectric
27 generation, it is not required to procure eligible renewable energy
28 resources that exceed the lesser of the following for that year:

29 (A) The portion of the local publicly owned electric ~~utility~~
30 *utility's* retail sales unsatisfied by the local publicly owned electric
31 utility's large hydroelectric generation.

32 (B) The soft target adopted by the Energy Commission for the
33 ~~intervening year~~ *years* of the relevant compliance period.

34 (3) Except for an existing agreement effective as of January 1,
35 2015, or extension or renewal of that agreement, any new
36 procurement commitment shall not be eligible to count towards
37 the determination that the local publicly owned electric utility
38 receives more than 50 percent of its retail sales from large
39 hydroelectric generation in any year.

1 (4) The Energy Commission shall adjust the total quantities of
2 eligible renewable energy resources to be procured by a local
3 publicly owned electric utility for a compliance period to reflect
4 any reductions required pursuant to paragraph (2).

5 (5) This subdivision does not modify the compliance obligation
6 of a local publicly owned electric utility to satisfy the requirements
7 of subdivision (c) of Section 399.16.

8 (m) (1) (A) For purposes of this subdivision, “unavoidable
9 long-term contracts and ownership agreements” means
10 commitments for electricity from a coal-fired powerplant, located
11 outside the state, originally entered into by a local publicly owned
12 electric utility before June 1, 2010, that is not subsequently
13 modified to result in an extension of the duration of the agreement
14 or result in an increase in total quantities of energy delivered during
15 any compliance period set forth in subdivision (b).

16 (B) The governing board of a local publicly owned electric
17 utility shall demonstrate in its renewable energy resources
18 procurement plan required pursuant to subdivision (f) that any
19 cancellation or divestment of the commitment would result in
20 significant economic harm to its retail customers that cannot be
21 substantially mitigated through resale, transfer to another entity,
22 early closure of the facility, or other feasible measures.

23 (2) For the compliance period set forth in paragraph (4) of
24 subdivision (b), a local publicly owned electric utility meeting the
25 requirement of subparagraph (B) of paragraph (1) may adjust its
26 renewable energy procurement targets to ensure that the
27 procurement of additional electricity from eligible renewable
28 energy resources, in combination with the procurement of
29 electricity from unavoidable long-term contracts and ownership
30 agreements, does not exceed the total retail sales of the local
31 publicly owned electric utility during that compliance period. The
32 local publicly owned electric utility may limit its procurement of
33 eligible renewable energy resources for that compliance period to
34 no less than an average of 33 percent of its retail sales.

35 (3) The Energy Commission shall approve any reductions in
36 procurement targets proposed by a local publicly owned electric
37 utility if it determines that the requirements of this subdivision are
38 satisfied.

39 (n) A local publicly owned electric utility shall retain discretion
40 over both of the following:

1 (1) The mix of eligible renewable energy resources procured
2 by the utility and those additional generation resources procured
3 by the utility for purposes of ensuring resource adequacy and
4 reliability.

5 (2) The reasonable costs incurred by the utility for eligible
6 renewable energy resources owned by the utility.

7 (o) The Energy Commission shall adopt regulations specifying
8 procedures for enforcement of this article. The regulations shall
9 include a public process under which the Energy Commission may
10 issue a notice of violation and correction against a local publicly
11 owned electric utility for failure to comply with this article, and
12 for referral of violations to the State Air Resources Board for
13 penalties pursuant to subdivision (n).

14 (p) (1) Upon a determination by the Energy Commission that
15 a local publicly owned electric utility has failed to comply with
16 this article, the Energy Commission shall refer the failure to comply
17 with this article to the State Air Resources Board, which may
18 impose penalties to enforce this article consistent with Part 6
19 (commencing with Section 38580) of Division 25.5 of the Health
20 and Safety Code. Any penalties imposed shall be comparable to
21 those adopted by the commission for noncompliance by retail
22 sellers.

23 (2) Any penalties collected by the State Air Resources Board
24 pursuant to this article shall be deposited in the Air Pollution
25 Control Fund and, upon appropriation by the Legislature, shall be
26 expended for reducing emissions of air pollution or greenhouse
27 gases within the same geographic area as the local publicly owned
28 electric utility.

29 ~~SEC. 5.~~

30 *SEC. 6.* Section 400 of the Public Utilities Code is amended
31 to read:

32 400. The commission and the Energy Commission shall do all
33 of the following in furtherance of meeting the state's clean energy
34 and pollution reduction objectives:

35 (a) Take into account the use of distributed generation to the
36 extent that it provides economic and environmental benefits in
37 disadvantaged communities identified pursuant to Section 39711
38 of the Health and Safety Code.

39 (b) Take into account the opportunities to decrease costs and
40 increase benefits, including pollution reduction and grid integration,

1 using renewable and nonrenewable technologies with zero or
2 lowest feasible emissions of greenhouse gases, criteria pollutants,
3 and toxic air contaminants onsite in proceedings associated with
4 meeting the objectives.

5 (c) Where feasible, authorize procurement of resources to
6 provide grid reliability services that minimize reliance on system
7 power and fossil fuel resources and, where feasible, cost effective,
8 and consistent with other state policy objectives, increase the use
9 of large- and small-scale energy storage with a variety of
10 technologies, targeted energy efficiency, demand response,
11 including, but not limited to, automated demand response, eligible
12 renewable energy resources, or other renewable and nonrenewable
13 technologies with zero or lowest feasible emissions of greenhouse
14 gases, criteria pollutants, and toxic air contaminants onsite to
15 protect system reliability.

16 (d) (1) Review technology incentive, research, development,
17 deployment, and market facilitation programs overseen by the
18 ~~commission, commission and the Energy Commission, academia,~~
19 ~~and the private and nonprofit sectors Commission~~ and make
20 recommendations to advance state clean energy and pollution
21 reduction objectives and provide benefits to disadvantaged
22 communities identified pursuant to Section 39711 of the Health
23 and Safety Code.

24 (2) *The Energy Commission shall review technology incentive,*
25 *research, development, deployment, and market facilitation*
26 *programs operating in California and overseen by academia and*
27 *the private and nonprofit sectors, and make recommendations to*
28 *advance state clean energy and pollution reduction objectives and*
29 *provide benefits to disadvantaged communities identified pursuant*
30 *to Section 39711 of the Health and Safety Code.*

31 (e) To the extent feasible and consistent with the state and
32 federal constitutions, give first priority to the manufacture and
33 deployment of clean energy and pollution reduction technologies
34 that create employment opportunities in California, including high
35 wage, highly skilled employment opportunities, and increased
36 investment in the state.

37 (f) Establish a publicly available tracking system to provide
38 up-to-date information at least once annually on progress toward
39 meeting the clean energy and pollution reduction goals of the Clean
40 Energy and Pollution Reduction Act of 2015.

1 (g) Establish an advisory group consisting of representatives
2 from disadvantaged communities identified pursuant to Section
3 39711 of the Health and Safety Code. The advisory group shall
4 review and provide advice on programs proposed to achieve clean
5 energy and pollution reduction and determine whether those
6 proposed programs will be effective and useful in disadvantaged
7 communities.

8 *SEC. 7. Section 454.51 of the Public Utilities Code is amended*
9 *to read:*

10 454.51. The commission shall do all of the following:

11 (a) Identify a diverse and balanced portfolio of resources needed
12 to ensure a reliable electricity supply that provides optimal
13 integration of renewable energy in a cost-effective manner. The
14 portfolio shall rely upon zero carbon-emitting resources to the
15 maximum extent reasonable and be designed to achieve any
16 statewide greenhouse gas emissions limit established pursuant to
17 the California Global Warming Solutions Act of 2006 (Division
18 25.5 (commencing with Section 38500) of the Health and Safety
19 Code) or any successor legislation.

20 (b) Direct each electrical corporation to include, as part of its
21 proposed procurement plan, a strategy for procuring best-fit and
22 least-cost resources to satisfy the portfolio needs identified by the
23 commission pursuant to subdivision (a).

24 (c) Ensure that the net costs of any incremental renewable energy
25 integration resources procured by an electrical corporation to satisfy
26 the need identified in subdivision (a) are allocated on a fully
27 nonbypassable basis consistent with the treatment of costs
28 identified in paragraph (2) of subdivision (c) of Section 365.1.

29 (d) Permit community choice aggregators to submit proposals
30 for satisfying their portion of the renewable integration need
31 identified in subdivision (a). If the commission finds this need is
32 best met through long-term procurement commitments for
33 resources, community choice aggregators shall also be required
34 to make long-term commitments for resources. The commission
35 shall approve proposals pursuant to this subdivision if it finds all
36 of the following:

37 (1) The resources proposed by a community choice aggregator
38 will provide equivalent integration of renewable energy.

1 (2) The resources proposed by a community choice aggregator
2 will promote the efficient achievement of state energy policy
3 objectives, including reductions in greenhouse gas emissions.

4 (3) Bundled customers of an electrical corporation will be
5 indifferent from the approval of the community choice aggregator
6 proposals.

7 ~~(4) All costs resulting from nonperformance will be borne by~~
8 ~~the electrical corporation or community choice aggregator~~
9 ~~responsible for them.~~

10 (e) *Ensure that all costs resulting from nonperformance to*
11 *satisfy the need in subdivision (a) or (d), as applicable, shall be*
12 *borne by the electrical corporation or community choice*
13 *aggregator that failed to perform.*

14 *SEC. 8. Section 9508 of the Public Utilities Code is amended*
15 *to read:*

16 9508. (a) In developing the rules and procedures specified in
17 this section and in Section 9507, the Energy Commission shall
18 seek to minimize the reporting burden and cost of reporting that
19 it imposes on local publicly owned electric utilities.

20 (b) A local publicly owned electric utility shall annually submit
21 to the Energy Commission documentation regarding eligible
22 renewable energy resources procurement contracts that it executed
23 during the prior year, as follows:

24 (1) A description of the eligible renewable energy resource,
25 including the duration of the contract or electricity purchase
26 agreement.

27 (2) A description and identification of the electrical generating
28 facility providing the eligible renewable energy resource under
29 the contract.

30 (3) An estimate of the percentage increase in the utility's total
31 retail sales of electricity from eligible renewable energy resources
32 that will result from the contract.

33 (c) A local publicly owned electric utility shall annually submit
34 to the Energy Commission documentation regarding the utility's
35 progress toward attaining the renewables portfolio standard
36 established pursuant to Section ~~399.30~~, ~~and its expenditures of~~
37 ~~public goods funds collected pursuant to Section 385, for~~
38 ~~development of eligible renewable energy resources, including a~~
39 ~~description of programs, sources of funding, expected results, and~~
40 ~~actual results. 399.30.~~

1 (d) A local publicly owned electric utility shall, on an annual
2 basis, make available to the Legislature and the Energy
3 Commission information relating to the utility’s solar initiative
4 program established pursuant to Section 2854, including the rated
5 generating capacity of installed solar energy systems receiving
6 monetary incentives through the utility’s program, the total number
7 of solar energy systems installed, the total number of applications
8 for the utility’s program, the amount of monetary incentives
9 awarded, and the contribution toward the program goals of the
10 California Solar Initiative (Article 1 (commencing with Section
11 2851) of Chapter 9 of Part 2 of Division 1).

12 (e) For the purposes of this section, “eligible renewable energy
13 resource,” “renewables portfolio standard,” and “procure” have
14 the same meanings as these terms have in the California
15 Renewables Portfolio Standard Program (Article 16 (commencing
16 with Section 399.11) of Chapter 2.3 of Part 1 of Division 1).

17 ~~SEC. 6.~~

18 *SEC. 9.* Section 9621 of the Public Utilities Code is amended
19 to read:

20 9621. (a) This section shall apply to a local publicly owned
21 electric utility with an annual electrical demand exceeding 700
22 gigawatthours, as determined on a three-year average commencing
23 January 1, 2013.

24 (b) On or before January 1, 2019, the governing board of a local
25 publicly owned electric utility shall adopt an integrated resource
26 plan and a process for updating the plan at least once every five
27 years to ensure the utility achieves all of the following:

28 (1) Meets the greenhouse gas emissions reduction targets
29 established by the State Air Resources Board, in coordination with
30 the commission and the Energy Commission, for the electricity
31 sector and each local publicly-owned electric utility that reflect
32 the electricity sector’s percentage in achieving the economywide
33 greenhouse gas emissions reductions of 40 percent from 1990
34 levels by 2030.

35 (2) Ensures procurement of at least 50 percent eligible renewable
36 energy resources by 2030 consistent with Article 16 (commencing
37 with Section 399.11) of Chapter 2.3 of Part 1 of Division 1.

38 (3) Meets the goals specified in subparagraphs (D) to (H),
39 inclusive, of paragraph (1) of subdivision (a) of Section 454.52,
40 and the goal specified in subparagraph (C) of paragraph (1) of

1 subdivision (a) of Section 454.52, as that goal is applicable to each
2 local publicly owned electric utility. A local publicly owned electric
3 utility shall not, solely by reason of this paragraph, be subject to
4 requirements otherwise imposed on electrical corporations.

5 (c) (1) The integrated resource plan shall address procurement
6 for the following:

7 (A) Energy efficiency and demand response resources pursuant
8 to Section 9615.

9 (B) Energy storage requirements pursuant to Chapter 7.7
10 (commencing with Section 2835) of Part 2 of Division 1.

11 (C) Transportation electrification.

12 (D) A diversified procurement portfolio consisting of both
13 short-term and long-term electricity, electricity-related, and demand
14 response products.

15 (E) The resource adequacy requirements established pursuant
16 to Section 9620.

17 (2) (A) The governing board of the local publicly owned electric
18 utility may authorize all source procurement that includes various
19 resource types, including demand-side resources, supply side
20 resources, and resources that may be either demand-side resources
21 or supply side resources, to ensure that the local publicly owned
22 electric utility procures the optimum resource mix that meets the
23 objectives of subdivision (b).

24 (B) The governing board may authorize procurement of resource
25 types that will reduce overall greenhouse gas emissions from the
26 electricity sector and meet the other goals specified in subdivision
27 (b), but due to the nature of the technology or fuel source may not
28 compete favorably in price against other resources over the time
29 period of the integrated resource plan.

30 (d) A local publicly owned electric utility shall satisfy the notice
31 and public disclosure requirements of subdivision (f) of Section
32 399.30 with respect to any integrated resource plan or plan update
33 it considers.

O